

Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 02745 031403Z

53

ACTION ARA-10

INFO OCT-01 ISO-00 SS-15 L-03 H-02 NSC-05 PA-01 PRS-01

USIA-06 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 /080 W

----- 043245

R 031330Z JUL 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 695

LIMITED OFFICIAL USE SAN JOSE 2745

E.O. 11652: N/A

TAGS: EFIN, CS

SUBJECT: LATIN AMERICAN BANK

REF: SAN JOSE 2564

1. THE CENTRAL BANK ISSUED ANOTHER SEEMINGLY ENCOURAGING RELEASE IN THE JUNE 28 PRESS REGARDING ITS EFFORTS TO FIND A SOLUTION TO THE LATIN AMERICAN BANK PROBLEM. THE STATEMENT SAID THAT THE NEGOTIATIONS UNDERWAY TO SOLVE THE LIQUIDITY PROBLEM OF THE LATIN AMERICAN BANK OF GRAND CAYMAN (LAB) ARE GOING FORWARD IN A SATISFACTORY FASHION. NO FURTHER DETAILS WERE PROVIDED. THE NEWS ARTICLE REPORTED THAT LAB'S U.S. CREDITOR BANKS, INCLUDING THE EXIM BANK, HAVE NAMED TWO PROMINENT COSTA RICAN ATTORNEYS, FERNANDO SOTO HARRISON AND HARRY ZURCHER ACUNA, TO REPRESENT THEM AND THAT THEY ARE IN "PERMANENT" CONTACT WITH PRESIDENT ODUBER, VICE PRESIDENT CASTILLO, AND CENTRAL BANK PRESIDENT JIMENEZ. THE REPORT CLAIMS THAT THE NEGOTIATIONS ARE IN THEIR FINAL STAGE.

2. THE CENTRAL BANK ALSO ANNOUNCED THAT THE BOARD OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 02745 031403Z

DIRECTORS OF LAB COSTA RICA (AS DESTINGUISHED FROM

LAB GRAND CAYMAN) HAS BEEN RECONSTITUTED. FERNANDO BERROCAL, A PROMINENT AND RESPECTED FIGURE IN CENTRAL AMERICAN INTEGRATION AFFAIRS, HAS BEEN APPOINTED PRESIDENT OF THE NEW BOARD.

3. COMMENT: THERE EXISTS SOME CONFUSION LOCALLY BETWEEN THE LAB'S OF GRAND CAYMAN AND OF COSTA RICA. ALTHOUGH A LEGAL DISTINCTION DOES EXIST, LAB OF COSTA RICA, WHICH IS A WHOLLY-OWNED SUBSIDIARY OF LAB GRAND CAYMAN, HAS ENGAGED IN RELATIVELY MINOR OPERATIONS WHEREAS THE MAJOR OPERATIONS HAVE BEEN CONDUCTED BY THE PARENT BANK WHICH OPERATES OUT OF THE SAME BUILDING IN SAN JOSE AND SHARES MUCH OF ITS STAFF WITH THE SMALLER DOMESTICALLY REGISTERED OPERATION. THUS, THE NAMING OF A FAIRLY HIGH-LEVEL DIRECTORATE OF LAB COSTA RICA MIGHT BE SOMETHING OF A RUSE TO ENCOURAGE THE CONFUSION WHUTH ALREADY EXISTS ABOUT THE TWO OPERATIONS AND TO EMPHASIZE THAT THE CENTRAL BANK IS DEVOTING HIGH-LEVEL CONCERN TO THIS MATTER. LIKEWISE, THE RATHER VAGUE PRESS STAEMENTS OF JUNE 28 AND JUNE 19 SEEM AIMED AT ASSUAGING THE CREDITORS WHILE NOT, AT LEAST PUBLICLY, COMMITTING THE CENTRAL BANK TO A SET PROGRAM, IE. THE CENTRAL BANK STILL SEEMS TO NEED TIME TO COME TO GRIPS WITH THE SITUATION. FYI WE UNDERSTAND THAT THE CENTRAL BANK HAS BEEN GETTING INDICATIONS FROM U.S. FINANCIAL INSTITUTIONS THAT THEY MAY HOLD OFF ON CREDITS TO COSTA RICA UNTIL THE LAB SITUATION IS CLARIFIED. SPECIFICALLY, WE HAVE HEARD A REPORT THAT THE FIRST NATIONAL CITY BANK IS HAVING DIFFICULTY SYNDICATING A \$30 MILLION LOAN TO THE CENTRAL BANK BECAUSE MANY OF THE BANKS WHICH NORMALLY WOULD BE INTERESTED IN PARTICIPATING ARE CREDITORS OF LAB. IT IS NOT KNOWN IF THIS REPORT IS CORRECT BUT IT SEEMS FEASIBLE.

4. THE CENTRAL BANK IS VERY MUCH INTERESTED IN RESOLVING THE LAB PROBLEM IN AN ORDERLY FASHION. ITS AUDITORS HAVE BEEN WORKING VERY HARD POURING OVER THE BOOKS OF THE PROIN COMPANIES. MEANWHILE, WE HAVE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 02745 031403Z

BEEN RELIABLY ADVISED THAT GRUPO PROIN HAS NOW DEFINITELY DECIDED TO PHASE OUT 29 OF ITS FORTY-ODD COMPANIES IN A PROGRAM OF RETRENCHMENT AND CONSOLIDATION. TODMAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, BANKS, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975SANJO02745
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750231-0132
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750787/aaaaczv.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 SAN JOSE 2564
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 08 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 SEP 2003 by BoyleJA>; APPROVED <14 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LATIN AMERICAN BANK
TAGS: EFIN, CS, XM, CENTRAL BANK, LATIN AMERICAN BANK, LATIN AMERICAN BANK OF GRAND CAYMAN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006